

TO: Secretary Paige
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid
RE: FSA Weekly Report
DATE: November 18, 2002

THE WEEK AHEAD

GAO High Risk List Meeting: A meeting between ED and GAO (General Accounting Office) is tentatively slated for either November 22 or 25. FSA's COO and senior management from OPE, OCFO, and other ED offices will meet with GAO to present plans designed to move student aid programs from "high risk" to "managed risk." The goal of the meeting is a common understanding of GAO's expectations and ED's activities moving forward.

Improving Program Integrity: Beginning this week, FSA's CFO will conduct a series of meetings with FSA program managers and appropriate contractors. The meetings are to discuss issues and create action plans designed to ensure all systems are configured to contribute toward the ED objectives of earning a clean audit and getting student aid programs removed from the GAO High Risk list.

KEY NEWS

PROGRAM INTEGRITY

School Termination & Fine: On November 7, FSA sent notice to the American Business College of Bayamon, Puerto Rico, imposing emergency action and initiating termination and a fine of \$2,074,000. The actions are based on a number of violations, including falsifying ATB (Ability to Benefit) data and illegally retaining Title IV funds. The school has until November 27 to appeal.

Denial of Participation: On November 8, FSA sent notice to Hollywood Institute of Beauty in Hollywood, Florida, denying its application for initial program eligibility. The denial is based on past activities of Henry Babani, the school president. Babani has been involved with "problem schools" dating back to at least 1997.

Debarment: ED's Deciding Official for Debarment & Suspension sent notice October 17 to Carole M. Nicholson of Annapolis, Maryland, debarring her from financial and non-financial assistance or benefits from any federal agency for three years. Nicholson didn't appeal FSA's debarment notice of August 26, which was based on her failure to comply with the participation agreement for Fleet Business School of Annapolis, which she owned. When the school closed in July 2001, Nicholson failed to provide a close-out audit. ED assessed liability at \$1,331,146. Nicholson failed to arrange payment.

COLLABORATION WITHIN ED

Government Paperwork Elimination Act: FSA CIO has reviewed the GPEA plan with Information Management Working Group (IMWG) chairman Arthur Graham and will be moving forward with the plan as outlined.

INTER-AGENCY COLLABORATION

e-Gov/eLoans: On November 7, the inter-agency e-Gov/eLoans team, led by ED, briefed the e-Gov Committee of the President's Management Council about the eLoans initiative. The presentation included recommendations for "value add" opportunities and funding strategy/resource needs requirements to move eLoans forward in FY03 and FY04. The committee reclassified eLoans from "More Information Needed" to "Level 2-Agency Coalition Driven" initiative. Final funding agreements between partner agencies and OMB are still pending.

STUDENT AID OPERATIONS

Pell Program:

- **Unprocessed De-obligations:** OCFO has mailed third and final warning letters to over 500 schools concerning their Unprocessed De-obligations (formerly referred to as Negative Available Balances). The transactions are created in GAPS (Grant Administration and Payment System) when Pell Operations processes and sends obligation decreases to GAPS that exceed the amount of the net draw down as reported in GAPS. If the schools do not respond to this third and final warning, they will be placed on "stop pay" status early next calendar year.
- **Verification:** FSA has approved the reduction of \$1,361,808 for 2001-02 recipient records with "W" Verification codes still on them. Schools are allowed to make first payments without completing verification of student and parent income. The schools then submit a recipient record with "W" for "paid without completing verification." But by the end of the award year, schools must have completed verification, updated the code, and resubmitted the record or ED takes action to decrease the recipient's funding to zero. This reduction affects 285 schools and represents 898 recipient records.

Program Growth: Borrowers in the William D. Ford Federal Direct Loan Program have grown 6.7% over the past year. As of October 2002, 6,003,854 borrowers were serviced in the program, compared to 5,628,026 in October 2001. During the same period, the outstanding balance increased 10.1% from \$69,092,774,408.20 to \$76,080,539,652.81.

FAFSA Processing: As of November 10, FSA processed 10,604,320 aid applications in the 2002-03 processing cycle. (Week 45 of 86-week cycle.) The majority of FAFSAs (Free Applications for Federal Student Aid) were filed electronically (6,121,151 or 58%). Paper applications represented 42% (4,483,169). Last year's (complete 2001-2002 cycle) electronic and paper applications were split 50%-50%.

The rejection rate on paper applications (due to mistakes by the filer) is 8%, and on electronic applications it's 1%.

KUDOS

e-Gov GovBenefits Wins Award: The e-Gov GovBenefits initiative has been honored with the Grace Hopper Award from *Government Executive* magazine. ED is one of the partners in this inter-agency initiative. The award will be presented December 4. GovBenefits went into production this past Spring.

ON THE HORIZON

Electronic Access Conference: The second 2002 EAC will be held December 3-6 in Las Vegas. About 1,850 people have pre-registered.

Shaw to Speak at SWASFAA: COO Theresa Shaw will speak at the Southwestern Association of Student Financial Aid Administrators meeting in Dallas on December 11.

Default Conference: The joint Eastern/Northern region Default Aversion Conference is scheduled for December 17-18 in Indianapolis. USA Funds, Inc. is the primary co-sponsor, with other guaranty agencies volunteering support.

CONTACT INFORMATION

Please contact Karen Freeman at 377-4001 with any questions.